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March 10, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222, SC-1170
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

RE: CC Docket Nos. 96-45 and 97-160

Today I provided a copy of the attached material to Chuck Keller of the Universal Service Branch staff. Both the BCPM and HAI models contain estimates of special access lines, in addition to basic residential business lines, since the total number of cable pairs in a particular cable cross-section has an impact on the per-pair cost. In populating their estimates for special access lines, the HAI sponsors use ARMIS data which, per FCC instructions, is stated as voice grade equivalent lines, not cable pairs. For example, a DS1 line would be stated as 24 voice grade equivalents, and a DS3 as 672. Use of this data would seriously overstate special access cable pairs, with a corresponding understatement of basic residence and business line costs. The attached document contains excerpts from several state PUC decisions regarding the proxy models, and indicates that the HAI sponsors knew as early as March of 1997 of the error in special access line counts and resultant.

In accordance with Section 1.206(a)(2) of the Commission's rules, an original and one copy of this letter and the attachments are being filed with your office for inclusion in the record in this proceeding.

Acknowledgment and date of receipt of this submission are requested. A duplicate letter is attached for this purpose.

Please call if you have any questions.

Sincerely,



Attachments
cc: Mr. Chuck Keller

SPECIAL ACCESS LINE ISSUE AS DISCUSSED BY COMMISSIONS IN U S WEST TERRITORY

- I. Montana Arbitration Decision and Order, March 20, 1997**
 - A. "The Commission requested that AT&T rerun its model with the following revisions: (1) a change in the corporate overhead factor from 10 percent to 14 percent; (2) changing the structure sharing assumptions for buried and underground feeder and distribution cable from 33 percent to 66 percent; (3) an increase in the number of distribution cables per census block density group; (4) an increase in the network operations factor from 70 percent to 85 percent; and (5) a decrease in the number of special access lines." (p. 87)
- II. Nebraska Public Service Commission, Interconnection Agreement Approved as Modified, July 1, 1997**
 - A. "We find that such lines (DS-1s and DS-3s) should not be counted as the number of voice frequency channels but rather counted as the actual number of subscriber loops used to provide the service. For example, DS1 service provided over two copper pairs would be counted as two subscriber loops not twenty four (24) loops." (p. 7)
- III. New Mexico Findings of Fact, Conclusion of Law and Order, March 20, 1997**
 - A. "U S WEST has argued that the line inputs to the Hatfield Model should be adjusted to reflect that non-switched digital special access lines are reported by the FCC at 64 kbs equivalents. We find this to be a reasonable adjustment. Based on the analysis presented by Dr. Fitzsimmons, we adjust the monthly cost of the loop upward by 93 cents." (p. 20)
- IV. North Dakota Public Service Commission Arbitrator's Decision, March 19, 1997**
 - A. "U S WEST identified the following problems with the HM [Hatfield] model: sharing, inappropriate DS1 and DS3 line factors, inappropriate depreciation rates, incorrect cost of capital, incorrect NID price, incorrect tax factor, incorrect network operations factor, and distribution lines. The Arbitrator will require AT&T to recalculate the HM using U S WEST's assumptions for cost of capital, tax factor, NID price, and DS1 and DS3 line factor adjustments." (p. 73)
- V. South Dakota Finding of Fact and Conclusion of Law; Order and Notice of Entry of Order, March 20, 1997**
 - A. "The Commission finds that AT&T's Hatfield Model overcounts the number of lines. The model counts digital access special access lines on a per channel basis so one DS-1 is counted as 24 access lines and one DS-3 is counted as 672 access

lines...However, the cost of placing a DS-1 would be considerably less than the cost of placing 24 separate basic access lines. The Commission finds that each DS-1 and DS-3 should be counted as one line." (p. 13)

VI. Public Service Commission of Wyoming, Final Order, Docket No. 70000-TR-96-323, July 21, 1997

- A. "Parties rerunning models should be careful to identify and exclude costs associated with the provision of special access/private lines from cost models so that the model's specific cost results for switched access lines are presented accurately." (37)